Weekly Economic Review

A tough year end for Alberta housing

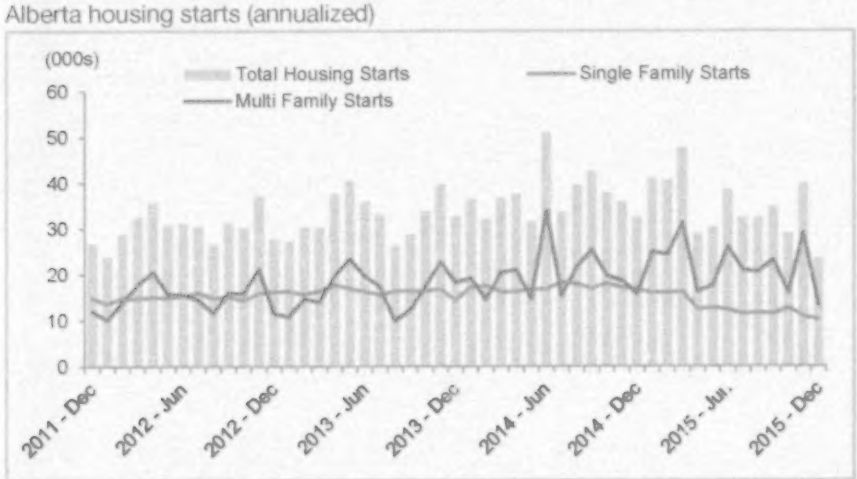
Housing Starts

Housing starts slump in December

Alberta housing starts fell to 25,993 (annualized) in December, the lowest level since January 2012 (Chart 1). The drop pushed housing starts down 26% compared to December 2014. The weakness affected multi-family starts, which were down 16% year-over-year (y/y) to the lowest level since September 2013. Single-family housing starts were also down 39% y/y, reaching the lowest level since March 2011. Calgary's housing starts fell by nearly 7,000 units month-over-month (m/m) while starts in Edmonton dropped 10,900 units m/m. In 2015 Alberta's housing starts totaled 37,500 (preliminary), down 7.4% y/y.

Chart 1: Housing starts down for all dwelling types

Alberta housing starts (annualized)



Source: Statistics Canada

Chart 2: Permits fall in November after code changes take hold

Value of building permits issued and month-over-month changes

Source: Statistics Canada

Resale Housing

Resale activity continues to sag

Alberta's resale housing market weakened in December as existing home sales fell 4% m/m to 4,419, and 16% below December 2014. In contrast, new listings increased by 7.8% m/m to 10,819, the highest level since April 2008. The slowdown in existing home sales and uptick in new listings pushed the sales-to-new listings ratio down to 40.8%, barely above a buyer's market (a buyer's market is below 40%). Sales were down in Calgary and Edmonton while new-listings were up in both cities. Overall, Alberta's resale housing market had a tough 2015 with sales down 21% and the average resale price down 1.9%.

Building Permits

Permits fall following record high

Building permits values were down 56% m/m to $953 million in November, (Chart 2) after hitting a record high in October. Builders rushed to take out permits before a grace period from impending building code changes for apartments and condos lapsed. The value of residential permits across Alberta was down 57% m/m to $570 million. Calgary's residential market was especially impacted, as the number of permits issued fell over 90% m/m in November. The value of non-residential permits fell 55% to $383 million as applications for industrial, commercial and institutional permits declined. Permit values remain down 5.9% year-to-date.

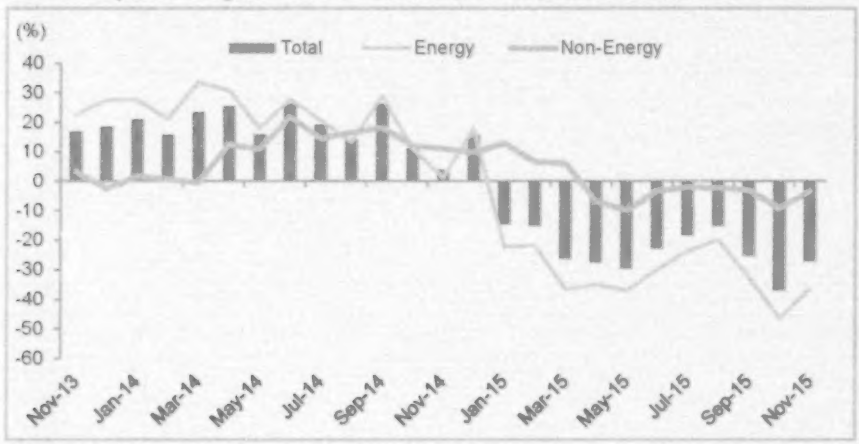
Supply and Disposition of Crude Oil

Crude production rebounds after plunging in September

Alberta's crude production rebounded after a record monthly decline in September. Due to a fire at the Syncrude Mildred Lake upgrader facility. Production increased to 2.9 million barrels per day in October, but was essentially unchanged compared to the previous year. A 13% y/y increase in bitumen, which accounted for over half of crude oil production, offset the drop in conventional (-15% y/y) and synthetic production (-9.9% y/y). Natural gas production was down by 0.8%. Despite weakness on the conventional side, crude oil production remains up 5.1% year-to-date due to strong bitumen production.

Chart 3: Persisting weakness in exports

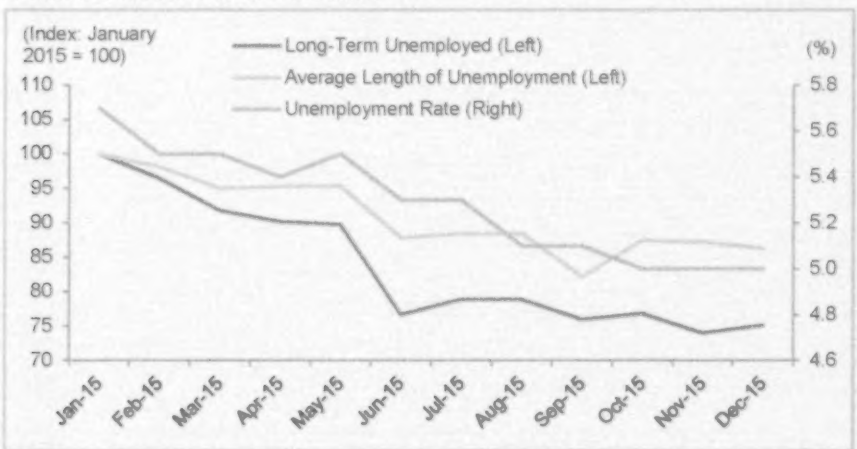
Year-over-year change in Alberta international merchandise trade



Source: Statistics Canada

Chart 4: Improved employment conditions through 2015

Select US labour market indicators



Source: US Bureau of Labor Statistics

Merchandise Trade

Widespread weakness in exports

Alberta's international goods exports fell to $6.6 billion in November, down 2.6% m/m. After four straight monthly declines, the value of merchandise exports fell to its lowest level since November 2010, down 27% y/y (Chart 3). Low oil prices continue to weigh on energy exports - which make up 63% of Alberta's exports - driving down the value of energy exports by 36% y/y. However, the actual volume of crude exports was up 14% y/y due to continued strength in oilsands production. Non-energy exports were down 3.3% y/y with persistent weakness in industrial machinery, metal and non-metallic mineral products and electronics and electrical equipment. Four export categories (out of twelve) eked out modest growth including farm and food products as well as forestry and building products. Year-to-date, of exports were down 24%.

US Employment

Strong job growth to end 2015

The US labour market ended 2015 on a high note as employment growth jumped to 292,000 jobs in December. Revisions also showed the creation of 50,000 additional jobs in October and November. Private sector services accounted for 79% of new jobs, led by professional and business services, education and health and transportation and warehousing. Goods producing industries added 45,000 jobs, all in construction while mining extended its job loss streak to twelve months, shedding nearly 130,000 mining jobs since January. Overall, 2015 was good a year for US employment with 2.65 million jobs created and a 25% decline in the number of long-term unemployed workers. The unemployment rate declined from 5.7% down to 5% over the course of 2015 (Chart 4).

Contact

Nachum Gabler 780.638.3238

Please see the *Alberta Economy - Indicators at a Glance* for a snapshot of Alberta indicators.